



March 15, 2006

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Secretary  
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Subject: Comments Submitted Regarding "Goods Movement Action Plan,  
Phase II Progress Report: Draft Framework for Action

Dear Dr. Lloyd & Secretary McPeak:

The Pacific Merchant Shipping Association (PMSA) is grateful for the opportunity to both comment on and participate in the Goods Movement Action Plan efforts of the California Environmental Protection Agency and the Business, Transportation & Housing Agency. PMSA members account for over ninety percent of the containerized cargo that enters and leaves the west coast of the United States. We are aware of the inherent challenges and opportunities to the economy and the quality of life associated with the goods movement system in California, and we support your efforts to deal with these issues using a systems approach while balancing the benefits and impacts of goods movement throughout California. PMSA's comments on the "Phase II Progress Report: Draft Framework for Action" are submitted with the intention of assisting you in your efforts.

When it comes to the issues of efficient transportation in California, whether of people or goods, it is readily apparent that the current infrastructure is overburdened and under-maintained. With specific respect to freight and cargo moving in international and interstate trade, we believe that the maritime sector is already prepared to accommodate the increased volume of goods expected in California over the next few decades more efficiently and in a more environmentally sensitive manner than any other transportation sector. Due to previous failures to plan for the long term development, we are concerned that the landside roadway and railroad infrastructure may not be adequate even in the near term to accommodate growth in both intrastate and non-maritime related domestic trade, much less significant increases in imports and exports through our California public ports.

The goods movement system is only as strong as its weakest link. In response to the congestion in 2004 the maritime industry increased the labor force at the ports by fifty percent. That correction alone will not stop a repeat of congestion in the system if the on-road trucking sector and the railroads are overwhelmed by the increasing volumes of cargoes. In order to adequately prepare for future growth those roadways and rail lines that are the current weak links in the system must receive the highest priority. If we do not focus on these issues we will not be able to avoid similar congestion problems in the future that will ultimately end in backing-up vessels off our coast and the diversion of cargoes to ports outside of California where more reasonable service can be provided.

Because we have listened carefully to, and heard the concerns of, the environmental and community groups regarding the potential impacts of goods movement, we want to stress that the solutions to issues of growth management, infrastructure investment and reduced air emissions impacts lie in improving freight mobility throughout California and looking at the "goods movement" system as an integrated whole. The goal of improving the system should be clear that efficient movement of cargoes is the most appropriate means to minimize any quality of life impacts and simultaneously grow the economic benefits of trade for Californians. Simply put, inadequate infrastructure that leads to ships, trucks, and trains that are sitting idle or stuck in congestion only serves

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to increase air quality impacts and decrease the benefits to the economy of trade. In addition, with the extensive public benefit of revenues from fuel taxes, sales taxes, user fees and income taxes all tied to the productivity of the goods movement system, to delay expansion in the hope that the system will fix itself is not a solution that we can afford to hope for.

The "Framework for Action" submitted for review is an ambitious and complex undertaking. As a member organization of the Integrating Committee, we know how much energy went into its production and we compliment you and your respective staff for the incredible amount of effort that was necessary to complete the report in such an abbreviated time frame and for the quality of that work. Given the time frame and the number of parties involved we are sure that it will come as no surprise that some areas of the report are inaccurate and other issues that should have been addressed are missing.

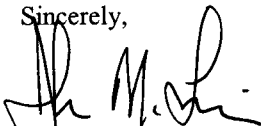
While we fully support the concept of simultaneous and continuous improvement of California's environment and air quality, this report fails to acknowledge measures that are going forward in advance of the Goods Movement Action Plan and the success of existing private sector initiatives. Some of the basic oversights have to do with regulatory measures that are already on their way to full implementation with the support of the regulated industry, such as the recent Cargo Handling Equipment Regulation by the California Air Resources Board. In addition, this report does not recognize the many elements of even the proposed Cargo Handling Equipment Regulation that have already been achieved through the voluntary efforts of our marine terminal members. We are using cleaner fuels, have installed after-combustion technology, and purchased yard equipment that exceeds any current regulatory requirements. An example of the ocean carriers currently contributing to the reduction air quality impacts is the voluntary speed regulation program at the Ports of Los Angeles and Long Beach that was implemented back in 2001 but has not been officially recognized in any of the subsequent State Implementation Plans. Other notable examples of industry internalizing the cost and subsequently reducing impacts include the development of on-dock and near-dock intermodal railyards at the ports, the construction of the Alameda Corridor, and the more recent implementation of the OffPeak program administered by PierPass.

At the same time, missing from the recommended measures are any initiatives which would commission the necessary studies to better understand the specifics of and help us adjust to the impacts of domestic and international trade and goods movement in California. In addition, we should invest in the development of those technologies needed to further reduce future impacts and improve Californians' quality of life. These are important omissions from the plan that must be addressed if we are going to achieve our common goals.

We believe that these common goals and the real principles of the Action Plan were adequately outlined in the five bullet points of the Governor's letter of January 27, 2005 and we labored through this process with these goals in mind.

PMSA and our members look forward to continuing to work with you on the further development of the policies and goals outlined in this Action Plan. If you have any questions, or need any assistance please feel free to contact us.

Sincerely,



John McLaurin  
President

## PMSA's Comments on the Phase II Progress Report: Draft Framework for Action

### I Executive Summary

#### Preliminary Candidate Actions – Summary for Four Corridors

#### INFRASTRUCTURE AND OPERATIONS

##### Ships

➤ Spread out vessel sailings and arrivals in the trans-Pacific trade:

The concept behind the measure is easy to accept. However, this approach is already being implemented on a terminal by terminal basis to ensure that vessels always have access to a berth. It is in no one's best interest to delay a vessel from unloading and, except extreme circumstances, this rarely happens on a per terminal basis. We understand that by expanding the concept to the entire port complex some believe that this will avoid large numbers of vessels at the berths on the same day and that this will ultimately result in leveling out truck traffic on specific days. However, since terminals have an economic incentive to efficiently berth, coupled with the facts that increased throughput efficiency, continued reductions in free time, and expanded off-peak terminal transactions will increase effectiveness and reduce bunched truck activity on their own, a rule for spreading out ship arrivals will always have some fundamental limitations and diminishing returns.

The vessel schedule cannot be looked at for a single port or even for calls just in California. The vessel also has a schedule at other Ports that must be kept. A more comprehensive evaluation of the vessel schedule limitations would be a necessary first step. That must also include consideration of the customers that accept and deliver cargo to the vessels. If cargo cannot be delivered because the vessel schedule does not coincide with the schedule of the shipper any change in schedule could result in additional congestion on the terminal and at other nodes of the Goods Movement system. Additional focus on the needs of California's shippers is in order prior to the adoption of such a requirement. This is especially true of California's agricultural export shippers which must time their harvest and packaging decisions in relation to season, market and vessel sailings for their exports in refrigerated containers.

➤ Evaluate short-sea shipping – including environmental impacts:

We support the concept of evaluating short-sea shipping, but we must warn that there are many operational and practical concerns that should make it clear that it is not currently the easy, turn-key solution that some would suggest it will be. One major obstacle to feasibility is the additional labor and logistical costs involved with most of the short-sea shipping routes. Compared to utilization of existing truck services, these routes almost always require substantial public subsidies before they can be considered a practical alternative for shippers. In addition, there is a substantial amount of time, uncertainty and flexibility lost to a shipper who must commit to a longer transit time, potential new dwell time at a local marine terminal, and the uncertainty of transit and additional secondary dwell time at the oceangoing vessel's marine terminal. There are also very real limitations imposed by federal law on domestic vessel transit through the Jones Act. This will require vessels in the short-sea shipping trade to meet U.S. flag, crew, and construction requirements prior to transporting cargo from one U.S. port to another. As a result of these requirements some foreign vessels that could be used to fulfill this application are not, allowed to carry domestic cargo from one U.S. port to the next resulting in an existing valuable capacity resource to redistribute cargos to other ports going unused. Further, because new domestic construction will be needed to build the new fleet, the per-vessel costs to the new short-sea shipping fleet will be much higher compared to even the existing U.S.-flagged ocean-going fleet. Finally, most of the domestic ports which would be terminals for an inland service do not currently have container cranes and the additional upland infrastructure necessary to support short-sea shipping operations would also need to be developed.

➤ Increase "destination loading" on ships from the far east:

Again this is already a fairly common practice on most vessels to the extent feasible. In addition to the limitations mentioned above, there is the need to maximize the capacity of the vessel making the long and

expensive trips from foreign ports. In order to use all of the capacity in each vessel's sailing, especially in the "just in time" world that we live in, it is often necessary to load cargos destined for multiple ports. As ship sizes increase these vessel economics are likely to continue.

➤ Finalize ARB ship auxiliary engine rule:

As you are aware, PMSA supports the concept of using cleaner fuels and better technologies through voluntary incentive based programs prior to the implementation of North American SECAs and the ratification by the United States Senate of MARPOL Annex VI. However, in the context of well-settled international and federal law, PMSA does not support the ARB ship auxiliary engine rule.

## **Ports**

➤ Operate Ports during extended hours:

This is already being done through the OffPeak program administered by PierPass. Additional efforts to smooth out the utilization of the terminals is desirable, but the success of these efforts will depend on other segments of the goods movement system, including the trucking community, shippers and owners of the cargos, to even out their pick-up and delivery of cargo to the ports and internalize the benefits of extended hours.

➤ Offer incentives to reduce marine terminal dwell time for containers:

PMSA has promoted this approach in the past and the Ports of Long Beach and Los Angeles did reduce dwell times last year. However, both ports have decided not to further reduce them this year because of capacity problems at the rail yards, which have created a situation where the cargo has no place to go. Again the entire goods movement system is just that, a system; multiple handling of the cargo to an off-port destination, only to be moved again when the capacity is available, does not meet any of the goals of moving the goods more efficiently and will probably increase air quality and congestion impacts in addition to costs.

➤ Expand Labor Force at the Ports:

After the 2004 congestion the labor force at the ports was increased by approximately 50 percent through the hiring of an additional 5000 casual longshore workers. We believe that the current workforce on terminal is adequate to handle both our current volumes of cargo and those expected in the near future. However, increasing the labor force at the railyards, distribution centers, and in the truck fleets, should be considered in order to improve the total capacity and velocity of the goods movement system.

➤ Implement virtual container yards:

We support the development of this concept to improve efficiency of the truck fleet.

➤ Implement incentives to limit container dwell time:

This measure is redundant to one above.

➤ Finalize ARB intermodal cargo equipment rule:

PMSA supports this regulation.

## **Rail**

➤ Evaluate shuttle train pilot project performance:

PMSA supports the evaluation of the shuttle train concept but would recommend that careful attention be paid to the issues of relocation of the impacts of cargo handling rather than their elimination, multiple handling impacts, and the additional impacts of short-haul train make-up and breakdown within the basin. We are also concerned that the use of shuttle trains may adversely impact the rail capacity necessary to move long-haul cargos to and from the ports. In the evaluation of this concept PMSA would reiterate the same subsidy issues as discussed above regarding short-sea shipping.

➤ Utilize more rail for long haul:

In line with the comments on shuttle trains this measure may be impeded by shuttle trains if rail capacity is limited. PMSA would also recommend that we evaluate ways to maximize the use of existing rail

facilities, especially on-dock rail in Southern California and near-dock rail yards in Northern California, to accommodate long-haul cargo.

- Finalize ARB regulation:  
As stated above we support this regulation.

#### **Trucks**

- Develop regional or national chassis pools:  
PMSA believes that this measure should be restated as evaluate the potential for chassis pools. The definitive nature of the measure suggests that there are no issues to be resolved and that clearly is not the case. There are potential land-use, air quality and congestion issues that need to be fully evaluated before this concept can be put into practice. In addition, in several instances where it is currently feasible it is already being done and where these pools do not exist there may be a current obstacle to their formation that needs to be addressed through a thorough evaluation.
- Establish port-wide terminal appointment systems for truckers:  
Again this measure appears to have drawn a conclusion. Many of our members are already administering appointment systems, some of which are proprietary. The effectiveness of the existing systems and a comprehensive evaluation of how to improve the existing appointment systems should be the next step.

#### **Other**

- Employ better trade and transport forecasting:  
PMSA strongly supports the need to improve cargo forecasting to enable better planning for all sectors of the goods movement system.

PMSA supports the remaining short term, intermediate term and long term actions. However, we also believe that more effort needs to be invested in prioritizing the projects listed.

### **PUBLIC HEALTH AND ENVIRONMENTAL MITIGATION – AIR QUALITY**

#### **Ships**

- Lobby for ratification of MARPOL Annex VI:  
PMSA strongly supported this measure and sponsored Assembly Joint Resolution Number 8 last year in the California legislature that also calls for the development and designation of a sulfur emission control area (SECA) under the terms of the treaty amendment. The SECA concept should be added to this measure.
- Implement vessel speed reduction MOU in Southern California:  
PMSA also supports this measure and was an original signer of the MOU back in 2001 along with the Ports of Los Angeles and Long Beach, the U.S. EPA, ARB, SCAQMD, the U.S. Navy and the Marine Exchange of Los Angeles and Long Beach. The MOU was renewed in 2003 but has since lapsed again. Despite the lapse of the MOU, our members continue to participate in the voluntary program and the level of compliance has been increasing. In addition, the Port of Long Beach has recently approved a green flag program to further incentive the participation in the program. California's regulators should acknowledge the program in the State Implementation Plan as they committed to do in the original MOU.

### **III. Draft Framework for Action**

We fully support the concept of simultaneous and continuous improvement but we also believe that the Draft Framework for Action must acknowledge measures that are going forward in advance of the Goods Movement Action Plan. Some of the basic oversights have to do with measures that have already been implemented such as the recent Cargo Handling Equipment Regulation by the California Air Resources Board. In addition, the Framework does not recognize that many of the elements of even the cargo handling rules are already underway through voluntary efforts of our member terminal operators; as they use cleaner fuels, have installed after-

combustion technology, and purchased equipment that exceeds any current requirements. Another example is participation in the voluntary speed regulation (VSR) program at the Ports of Los Angeles and Long Beach by our ocean carrier member companies. The VSR program that was implemented back in 2001 has not been officially recognized in any of the subsequent State Implementation Plans. Other notable examples of voluntary actions taken by the industry include the development of on-dock intermodal railyards at the ports and the Alameda Corridor and the more recent implementation of the OffPeak program administered by PierPass.

At the same time, missing from the measures are the necessary investments in technology and study that we need to conduct in order to better understand and adjust to goods movement in California. Without these critical investments it is hard to imagine that we will develop the technologies to reduce impacts and improve our quality of life as quickly and economically as we would otherwise. This is an important omission from the plan that must be addressed if we are going to achieve the desired goals.

Much has already been written on the principles and we won't go over that same ground again. However, we believe that the real principles were adequately outlined in the five bullet points of the Governor's letter of January 27, 2005. For the criteria and metrics a more meaningful and streamlined approach would greatly assist in seeing the specific goal and how that goal attainment will be measured.

## PUBLIC HEALTH & ENVIRONMENTAL MITIGATION

### CRITERIA and METRICS FOR SELECTING HIGHEST PRIORITIES

Criteria ("WHAT")		Metric ("HOW")
Improve air quality and protect public health	I	Periodic emission inventories
	I	Periodic equipment inventories
	I	On-going monitoring in impacted communities & regionally
	I	Periodic modeling of health impacts
	I	
	I	
Incorporate cleanest feasible technologies	I	Inventory of replacements, retrofits, at the earliest possible date
	I	
	I	repowers and fuels used
	I	
Use most cost-effectiveness technologies	I	Inventory cost and calculate cost effectiveness for criteria pollutants and air toxics
	I	
	I	Periodically model health benefits
	I	
Ability to implement	I	International, federal, state, local, and voluntary programs authorities
	I	monitoring and reporting of compliance.
	I	
	I	
	I	
Monitoring of compliance	I	Requires identification of responsible party for each program and associated compliance reporting
	I	
	I	
	I	
Enforceability	I	Requires identification of responsible party for each program and associated compliance reporting
	I	
	I	
	I	